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ENERGY-RELATED TAX BENEFITS

LOW EMISSION WOOD STOVES OR BIOMASS COMBUSTORS, INCLUDING PELLET STOVES

Individual income taxpayers who install low emission wood stoves or biomass combustors in their principal residences in Montana before January 1, 1996 qualify for a tax credit on their state income tax owed. Eligible wood stoves or biomass combustors must emit less than 4.1 grams per hour of particulates when tested under the guidelines of the Department of Health & Environmental Sciences. Pellet stoves also must have an air-to-fuel ratio of at least 35:1.

The tax credit allowed for a pellet stove is 20 percent of the first $1,000 of the cost of the system and 10 percent of the next $3,000, or a maximum of $500. For any other eligible wood stove or biomass combustor, the tax credit allowed is 10 percent of the first $1,000 of the cost of the system and 5 percent of the next $3,000, or a maximum of $250.

In calculating the credit, the cost of the system includes the costs of both materials and installation, less the value of any public or private grants received. The tax credit must be taken the year the system is installed; however, any portion of the tax credit that exceeds the amount of tax to be paid may be carried over and applied against state tax liability for the next four taxable years.

State tax form: ENRG-B

For a list of eligible wood and pellet stoves, contact the Air Quality Bureau at the Montana Department of Health & Environmental Sciences, 444-3454.

ALTERNATIVE ENERGY SYSTEMS

A tax credit is available to individual income taxpayers who install certain alternative energy systems in their principal residences in Montana before January 1, 1993, or who purchase or otherwise acquire a principal dwelling before January 1, 1993 that is equipped with an alternative energy system that was installed after December 31, 1976 for which the tax credit has never been claimed. Qualifying alternative energy systems use nonfossil fuel sources, such as sun, wind, hydropower, solid wastes, or the decomposition of organic wastes.

The maximum tax credit allowed for an alternative energy system is $250, or the equivalent of 10 percent of the first $1,000 of the cost of the system and 5 percent of the next $3,000.

In calculating the credit, the cost of the system includes the costs of both materials and installation, less the value of any public or private grants received. The tax credit must be taken the year the system is installed or the year the residence is purchased or acquired; however any portion of the tax credit that exceeds the amount of tax to be paid may be carried over and applied against state tax liability for the next four taxable years.

State tax form: ENRG-B

PROPERTY TAX REDUCTIONS

In addition to other energy-related tax benefits, a portion of the appraised value of certain nonfossil energy property is eligible to be exempt from property taxation for up to 10 years following the date of installation. Eligible property includes low emission wood or biomass combustors, including pellet stoves, or other alternative energy generating systems, such as those that use sun, wind, hydropower, solid waste, or the decomposition of organic wastes. Up to $20,000 of the value of a system installed in a single-family residential building can be exempt from property taxation, or up to $100,000 of a system installed in a multi-family residential dwelling or a nonresidential structure.

Application for property tax exempt status must be submitted to the county assessor's office by March 1 to be considered for exemption that tax year. For installations made after March 1, an application for property exempt status must be submitted before the following March 1 to be considered for exemption starting the following tax year. Applications may be submitted for installations made within 10 years prior to the given tax year, but will be eligible for property tax exemption only for the remainder of 10 years from the date of installation.

A state property tax exemption form is available at the county assessor's office.

STATE DOCUMENTS COLLECTION

MAR 1 3 1993

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

PLEASE RETURN

The responsibility for determining tax liability for tax benefits rests with the Montana Department of Revenue (DOR). Individual income taxpayers with questions or requests for state tax forms can contact DOR's Income & Miscellaneous Tax Division at 444-2837. Corporation license taxpayers with questions or requests for state income tax forms can contact DOR's Natural Resource & Corporation Tax Division at 444-2441. Taxpayers are responsible for maintaining accurate records to substantiate these tax benefits.

ENERGY-RELATED TAX BENEFITS

ENERGY CONSERVATION IN BUILDINGS

Individuals and businesses are entitled to a state tax benefit for energy conservation investments in buildings in Montana. Individual income taxpayers may claim 5 percent of their investment as a tax credit on state income tax owed, up to a maximum of $150 in residential buildings and $300 in commercial, industrial or agricultural buildings. Businesses paying corporation license tax may claim a tax deduction from gross corporate income in accordance with the following schedule:

If the business' investment is made in a residential building:	If the business' investment is made in a commercial, industrial or agricultural building:
100% of first $1,000	100% of first $2,000
50% of next $1,000	50% of next $2,000
20% of next $1,000	20% of next $2,000
10% of next $1,000	10% of next $2,000

The tax benefit must be claimed in the year the expenditure is made. To determine the amount of tax benefit, calculate the cost of materials and installation of the energy conservation investment, less the value of any public or private grants received and utility contributions, including rebates. In new construction, only the portion of the work that surpasses any applicable state or federal construction standards may be used. A maximum of $100,000 tax savings is allowed per individual or business per year.

State tax form: ENRG-C for individual income taxpayers. Corporation license taxpayers should add this tax deduction to all other deductions.

For technical assistance on energy conservation projects in residential buildings, contact Brian Green, DNRC, 444-6768. On commercial buildings, contact Georgia Brensdal, DNRC, 444-6750.

COLLECTING OR PROCESSING RECLAIMABLE MATERIAL OR MANUFACTURING PRODUCTS FROM RECLAIMED MATERIAL

Montana taxpayers may take a state income tax credit for as much as 25 percent of the cost of depreciable equipment used to collect or process reclaimable material or to manufacture products from reclaimed material. This credit is available for equipment purchased and installed after December 31, 1989 and prior to January 1, 1996. This credit must be taken in the year the equipment is acquired and placed into service; however, tax year 1992 is the first tax year this credit is available on tax forms, so credit for equipment acquired and placed into service between January 1, 1990 and December 31, 1991, should be taken on the 1992 tax return. Transportation equipment is not included unless it is specialized to the point that it can only be used to collect and process reclaimable material.

The amount of tax credit is determined by adding the purchase price, transportation cost (if paid by the purchaser), and installation cost of the equipment before depreciation or other reductions, and multiplying this sum by 25 percent. The purchase price is reduced by the amount received for equipment traded in only if the equipment traded in received this same tax benefit. The tax credit for equipment purchased under capital lease can be taken annually by calculating 25 percent of the amount capitalized for balance sheet purposes.

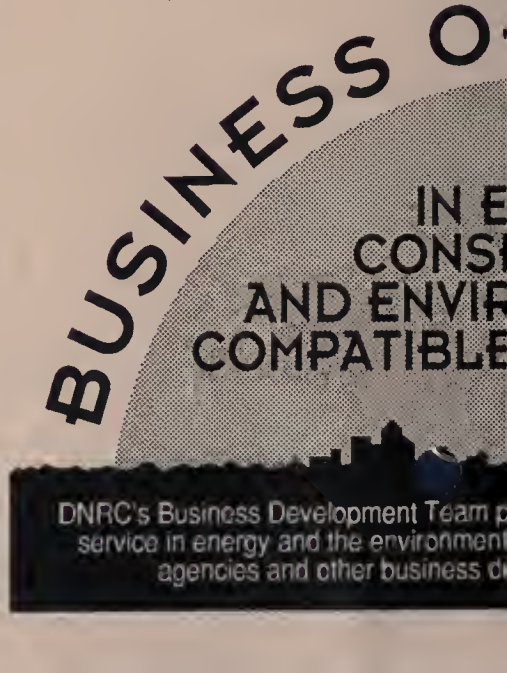
State tax forms: RCYL for individual income taxpayers. RCYL-CT for corporation license taxpayers.

The Business Development Team offers business assistance to new or expanding businesses for the collection or processing of reclaimed material and the manufacturing of a product from reclaimed material. Interested parties should call the Business Development Team, DNRC, 444-6697.

RECYCLED PRODUCT

Businesses purchasing recycled products that are used in Montana and contain at least 90 percent reclaimed material also receive a tax break. Businesses can take a deduction of 5 percent of the expenses of recycled products from federal adjusted gross income in arriving at Montana adjusted gross income if they pay individual income tax, or from taxable income if they pay corporation license tax. This tax benefit is available for tax years 1992 through 1995.

State tax forms: RCYL for businesses paying individual income tax. RCYL-CT for businesses paying corporation license tax.



ENERGY-RELATED TAX BENEFITS

GEOTHERMAL ENERGY SYSTEMS

Individual income taxpayers may receive a tax credit for the installation of geothermal energy systems in their principal residences in Montana. The maximum tax credit allowed is $250 of the cost of the system for the year the system is installed and $250 for each of the next three taxable years, up to $1,000. In calculating the tax credit, the cost of the system includes the costs of both the system and its installation.

State tax form: ENRG-B

MONTANA-PRODUCED ORGANIC FERTILIZER

Montana taxpayers purchasing Montana-made organic fertilizer for use in Montana may deduct 100 percent of the cost of that fertilizer when computing adjusted gross individual income or gross corporate income for state income tax purposes, if the expenditure was not otherwise deducted in computing taxable income. Taxpayers should include this tax deduction with all other deductions.

New or expanding businesses can receive business assistance for the production or use of organic fertilizer. Contact Charity Watt, DNRC, 444-6774.

COMMERCIAL WIND SYSTEMS

Montana taxpayers involved in the production or use of wind-generated electricity or the manufacture of wind energy generating equipment are entitled to a state tax credit of 35 percent of their investment of $5,000 or more in depreciable property of a wind energy generation system located in Montana, less the value of any state or federal government grants received. If the taxpayer claims a federal tax benefit on the wind system, then the state tax credit must be reduced to an amount so the sum of the state and federal tax benefits for the system does not exceed 60 percent of the eligible costs of the system.

The tax credit must be taken the year the equipment is placed in service; however, any portion of the tax credit that exceeds the amount of tax to be paid may be carried over and applied against state tax liability for 7 years following. Taxpayers may not take this credit in conjunction with any other state energy or state investment tax benefit, or with the property tax exemption for nonfossil energy property.

State tax form: 2WPC

For technical assistance on a commercial wind energy system, contact Dave Dysinger, DNRC, 444-6770.

ALCOHOL PRODUCTION

Montana businesses licensed to distill and distribute anhydrous ethanol can take advantage of a 30 cents per gallon incentive payment from Montana state government, and are entitled to a refund of the state tax paid for the purchase of gasoline used specifically as a denaturant. To obtain these benefits, the ethanol produced must be blended with gasoline and used as gasohol or used in the manufacture of ethyl tertiary butyl ether (ETBE) in reformulated gasoline. Also, the ethanol must be produced from Montana grown agricultural or wood products when available, but may be produced from agricultural or wood products from another state when Montana products are not available.

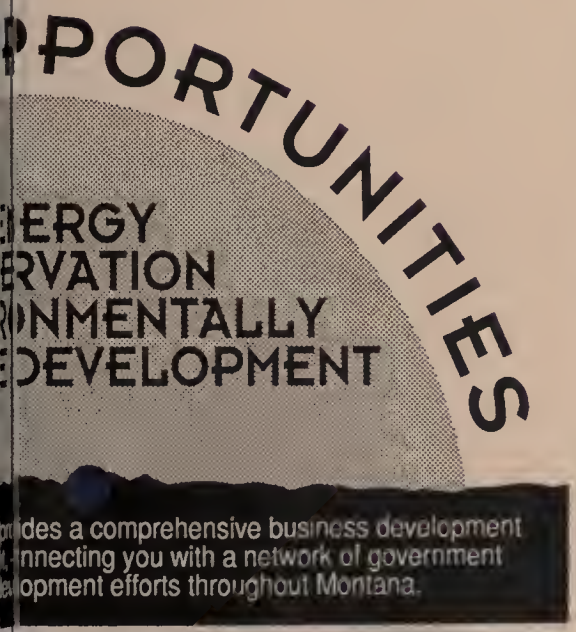
In order to qualify, the ethanol producer must submit a written plan to the Montana Department of Transportation at least 18 months prior to anticipated collection of these benefits. The plan must contain identification of: funding sources used in the acquistion of plant, property and equipment for the production of ethanol; expected sources of agricultural or wood products used in the production of ethanol; and expected time, quantity and duration of ethanol production. After production begins, the operator must submit state motor fuel forms to the Department of Transportation specifying the amount and purchasers of alcohol sold for use in gasohol or ETBE.

These benefits are available until July 1, 2001.

State motor fuel forms: MF 35 submitted monthly. MF 36 required only for months when ethanol was exported from the state. MF 37 submitted monthly.

These forms can be obtained from the Administrative Division of the Montana Department of Transportation, 444-7672.

For business assistance in fuel alcohol production, contact Jon Biggs, DNRC, 444-6780. For technical assistance, contact Howard Haines, DNRC, 444-6773.



MONTANA ENERGY-RELATED TAX BENEFITS

A guide to state tax benefits for conserving energy, producing and using alternative energy, and recycling

DNRC's Business Development Team offers specialized services to promote business opportunities in technologies, products, and services that capitalize on responsible uses of energy and the environment. This guide was prepared by the Business Development Team as a general introduction to state tax benefits for conserving energy, producing and using alternative energy, and recycling.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION • CONSERVATION AND RENEWABLE ENERGY BUREAU

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Helena, MT 59620-2301

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